



STATE OF DELAWARE

OFFICE OF AUDITOR OF ACCOUNTS

R. THOMAS WAGNER, JR., CGFM, CFE
AUDITOR OF ACCOUNTS

PHONE: (302) 739-4241
FAX: (302) 739-2723

August 30, 2006

To the School Board Members
Charter School, Inc. D/B/A Campus Community School
Dover, Delaware

In planning and performing our audit of the financial statements of Campus Community School (the School) for the year ended June 30, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal control and operating efficiency. This letter does not affect our report dated August 30, 2006 on the financial statements of the School.

The matters noted are only those that came to our attention and, had our procedures for internal control related matters been more extensive, other matters might have been noted. Also, the functioning of the internal control was assessed at a point in time, and no assurances can be drawn that the internal control is functioning or will continue to function beyond the point in time at which it was assessed. No opinion is being expressed regarding the internal control taken as a whole.

We will review the status of these findings during our next audit engagement.

The attached comments and recommendations in Appendix A and status of prior year comments and recommendations in Appendix B are intended solely for the information and use of the School's Board of Directors and management, Department of Education, Office of the Governor, Office of Controller General, Office of Attorney General, Office of Management and Budget, and Department of Finance and is not intended to be and should not be used by anyone other than these specified parties. However, under 29 Del. C., Section 10002(c), this report is public record and its distribution is not limited.

R. Thomas Wagner, Jr., CFE, CGFM, CICA
Auditor of Accounts
Office of Auditor of Accounts

OTHER COMMENTS AND RECOMMENDATIONS

Finding - Lack of supporting documentation for cash receipt documents (CRs)

Campus Community School receives money for items such as donations and parking permits. Receipts are prepared when cash or checks are received, but the receipts cannot be traced to the corresponding cash receipt document (CR) and deposit slip. Therefore, CRs prepared by Campus Community School do not contain adequate supporting documentation is not maintained for all money received by the School.

According to the State of Delaware *Budget and Accounting Manual*, "cashiers will issue an official pre-numbered receipt to a payer, a copy of which will be retained in file for audit purposes."

Recommendation

Campus Community School prepares receipts when cash and checks are received and establish a system where the receipts can be traced to the corresponding CR and deposit slip. The School should prepare receipts using triplicate receipts - the original is given to the person giving the money, one copy is attached to the CR document, and the remaining copy should remain in the receipt book for ease of reconciliation.

Auditee Response

As recommended, Campus Community School will prepare receipts when cash and checks are received and establish a system where the receipts can be traced to the corresponding CR and deposit slip.

Finding - DFMS Reconciliations

The Business Manager reconciles Campus Community School's DFMS activity monthly. However, the reconciliations are not signed and dated by the preparer and are not reviewed by an Administrator.

According to the State of Delaware *Budget and Accounting Manual*, "the following specific control objectives are widely accepted as elements of good control and should be used by management and financial managers:

Validation - ensuring that recorded transactions represent real transactions.

Authorization - ensuring that all transactions are approved by management."

Lack of signatures and dates results in failure to provide evidence of timely validation and authorization. While all reconciliations reviewed were proper, AOA was unable to determine if reconciliations were performed timely.

Recommendation

Campus Community School's Business Manager sign and date all DFMS reconciliations when prepared and an Administrator review, sign, and date the reconciliations.

Auditee Response

While all reconciliations reviewed were proper, Campus Community School will ensure that all DFMS reconciliations are signed, dated, and reviewed by an administrator to ensure timely validation and authorization.

STATUS OF PRIOR YEAR COMMENTS AND RECOMMENDATIONS

Finding	Recommendation	Auditee Response	Status*
CCS has insufficient policies and procedures regarding the recording, processing, summarizing, and reporting of revenues, receivables, and receipts and does not have written policies and procedures regarding the recording, processing, summarizing, and reporting of expenditures, payroll, and related liabilities. In addition, the School does not have policies and procedures regarding the recording, processing, summarizing, and reporting of cash held outside of DFMS.	CCS develop and implement sufficient written policies and procedures governing the recording, processing, summarizing, and reporting of revenues, receivables, and receipts; expenditures; payroll, and related liabilities; and cash held outside of DFMS.	CCS administration will meet with representatives from the Auditor's Office to assist us in preparing the above-mentioned policies and procedures.	Partially implemented. The policies and procedures are adequate in regards to revenues, expenditures, and payroll. However, the policies and procedures do not address the accruals - A/R, A/P, and Accrued Payroll.
CCS maintains four accounts outside of DFMS. Bank reconciliations for these accounts were not signed or dated by the Business Manager.	The Business Manager at CCS should sign and date bank reconciliations to signify validation and authorization.	Going forward, the Business Manager will sign and date bank reconciliations.	Partially implemented. Reconciliations were not always signed and dated by both the preparer and the reviewer.
School officials were unable to provide evidence of reconciliation of payroll amounts to the general ledger (DFMS).	CCS' Business Manager should reconcile payroll amounts to the general ledger (DFMS) on a bi-weekly basis. The School's Director should review the reconciliations and sign as evidence of his review and approval. The reconciliations should be retained until a successful audit has been completed, as stated in the State of Delaware <i>Budget and Accounting Manual</i> .	In the future, the Business Manager will reconcile payroll to DFMS on a bi-weekly basis and keep the documentation until a successful audit has been completed.	Implemented.
CCS receives money for items such as donations and parking permits. Receipts are prepared only when cash is received; receipts are not given for checks received. Therefore, supporting documentation is not maintained for all money received by the School.	CCS prepare receipts when both cash and checks are received and incorporate this procedure into their written policies and procedures regarding cash. The School should prepare receipts using triplicate receipts - the original is given to the person giving the money, one copy is attached to the CR document, and the remaining copy should remain in the receipt book for ease of reconciliation.	CCS administration will meet with representatives from the Auditor's Office to assist us in preparing the above-mentioned policies and procedures.	Partially implemented. Receipts are only given for cash, not checks, received. AOA recommendations that, if receipts are not given for checks, copies of the checks should be retained with an indication as to the purpose of the receipt.

* Status Key:

- **Implemented:** The concern has been addressed by implementing the original or an alternate corrective action.
- **Partially Implemented:** The corrective action has been initiated but is not complete, and the auditor has reason to believe management fully intends to address the concern.